

Estimate change	↓
TP change	↔
Rating change	↔

CMP: INR358 **TP: INR460 (+29%)** **Buy**

Consistent growth trajectory continues

Bloomberg	LTFOODS IN
Equity Shares (m)	347
M.Cap.(INRb)/(USDb)	123.9 / 1.4
52-Week Range (INR)	452 / 160
1, 6, 12 Rel. Per (%)	-8/32/74
12M Avg Val (INR M)	394

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	88.8	102.2	115.7
EBITDA	9.9	12.4	14.5
Adj. PAT	6.1	8.3	9.9
EBITDA Margin (%)	11.1	12.2	12.5
Cons. Adj. EPS (INR)	17.5	23.8	28.5
EPS Gr. (%)	2.7	35.9	19.7
BV/Sh. (INR)	112.1	131.0	154.5

Ratios

Net D:E	0.1	0.0	-0.1
RoE (%)	16.8	19.6	20.0
RoCE (%)	15.8	18.5	19.6

Valuations

P/E (x)	20	15	13
EV/EBITDA (x)	13	10	8

Shareholding pattern (%)

As on	Dec-24	Sep-24	Dec-23
Promoter	51.0	51.0	51.0
DII	5.9	5.8	5.1
FII	9.3	8.0	5.7
Others	33.8	35.2	38.1

Note: FII includes depository receipts

Earnings below estimates due to higher interest cost

- LT Foods (LTFOODS) reported a healthy quarter with revenue growing 17%, led by Basmati and Other Specialty Rice (up 17% YoY) and Organic Foods (up 26% YoY). EBITDA margins took a hit of 130bp due to higher freight costs.
- The higher freight cost impact will weigh on the company's margins for 4QFY25/1QFY26 before tapering down with renewed contracts (at lower rates). Additionally, paddy procurement has been at a lower rate for the current year (~INR32/kg, i.e. down 10-15% YoY), which will help improve margins in FY26.
- We largely maintain our EPS estimates for FY25/FY26/FY27. We reiterate our BUY rating on the stock with a TP of INR460 (16x FY27E EPS).

Volume growth remains strong, led by healthy demand

- In 3QFY25, consolidated revenue stood at INR22.7b (+17% YoY, +8% QoQ), in line with our est. EBITDA grew 14%/9% YoY/QoQ to INR2.5b during the quarter (in line). EBITDA margin contracted 130bp YoY, while it expanded 10bp to 11% (in line).
- Adj. PAT declined 5%/3% YoY/QoQ to INR1.4b vs. estimate of INR1.5b, with earnings missed largely due to higher-than-anticipated finance costs of INR236m (+28% YoY/+21% QoQ).
- The Basmati & Other Specialty Rice segment grew 19% YoY, led by strong growth in the International segment (up 22% YoY), while domestic grew ~14% YoY. Gross/EBITDA margins stood at 32.4%/11.7%, down 160/310bp YoY, due to higher input and freight costs.
- Organic foods grew 26% YoY, while gross/EBITDA margins expanded 860/290bp YoY to 42.6%/11.8%.
- The Convenience & Health segment's revenue declined 16% YoY, primarily due to the discontinuance of Daawat Sehat. Gross margin expanded 410bp to 41.1% and operating loss stood at INR42m.

Highlights from the management commentary

- Guidance:** The company guided for margin improvement in FY26, led by better pricing strategy and lower freight cost. The Organic Foods segment is expected to grow 10% in FY26 (revenue of INR10b+) with EBITDA margins of over 14%.
- Basmati Business:** The company is seeing healthy demand growth in both India and international markets, which has led to a higher inventory stock in 3QFY25. The management guided the overall volume growth for FY25/FY26 to be in the range of 12-13%.
- Freight Cost:** EU and US are two regions that have been impacted by Red Sea issues. US freight costs remain high, while EU freight costs have started to decline. Last year, freight costs were ~5% of sales, which have increased to 7.2% now. However, the company expects freight costs to decrease to 6% in FY26.

Valuation and view

- LTFOODS has reported consistent performance over the longer term and is expected to continue this momentum, led by: higher growth in the Basmati and Other Specialty Rice segment in both Indian and international markets, and margin expansion supported by lower input prices and an increasing mix of Organic and Convenience & Health segments.
- We estimate a CAGR of 15%/19%/36% in revenue/EBITDA/Adj. PAT over FY24-FY27. We reiterate our BUY rating on the stock with a TP of INR460 (16x FY27E EPS).

Consolidated - Quarterly Earning Model

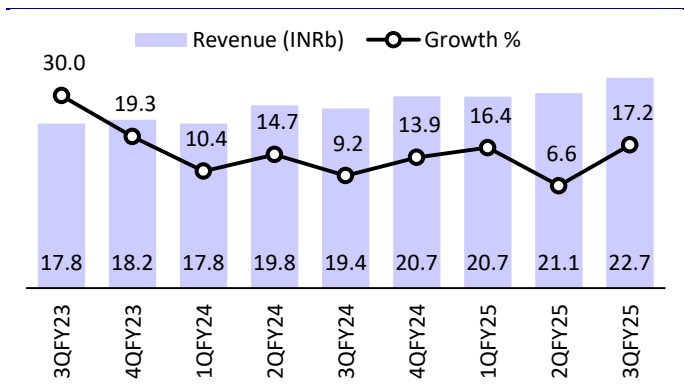
Y/E March	FY24				FY25				FY24	FY25E	FY25	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		3QE		
Gross Sales	17,781	19,778	19,417	20,748	20,705	21,078	22,748	24,283	77,724	88,814	22,067	3%
YoY Change (%)	10.4	14.7	9.2	13.9	16.4	6.6	17.2	17.0	12.1	14.3	13.6	
Total Expenditure	15,644	17,373	17,031	18,297	18,296	18,785	20,250	21,584	68,345	78,915	19,635	
EBITDA	2,137	2,405	2,386	2,451	2,409	2,293	2,498	2,699	9,379	9,899	2,432	3%
Margins (%)	12.0	12.2	12.3	11.8	11.6	10.9	11.0	11.1	12.1	11.1	11.0	
Depreciation	356	360	361	453	420	448	458	430	1,529	1,756	435	
Interest	220	191	185	235	187	196	236	220	830	840	145	
Other Income	107	140	80	169	175	263	134	120	496	692	150	
PBT before EO expense	1,669	1,995	1,920	1,933	1,977	1,911	1,938	2,169	7,517	7,995	2,002	
PBT	1,669	1,995	1,920	1,933	1,977	1,911	1,938	2,169	7,517	7,995	2,002	
Tax	438	539	510	542	530	494	525	546	2,029	2,094	504	
Rate (%)	26.2	27.0	26.6	28.1	26.8	25.8	27.1	25.2	27.0	26.2	25.2	
MI & Profit/Loss of Asso. Cos.	-143	-143	-102	-97	-84	-66	-19	-20	-486	-189	-40	
Reported PAT	1,374	1,599	1,512	1,488	1,532	1,484	1,433	1,643	5,973	6,091	1,538	
Adj PAT	1,374	1,599	1,512	1,488	1,532	1,484	1,433	1,643	5,973	6,091	1,538	-7%
YoY Change (%)	53.2	78.7	58.7	15.9	11.4	-7.2	-5.2	10.4	48.3	2.0	1.8	
Margins (%)	7.7	8.1	7.8	7.2	7.4	7.0	6.3	6.8	7.7	6.9	7.0	

Key Operating Metrics

Y/E March	FY24				FY25				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (INRm)										
Basmati & Other Specialty Rice	15,130	16,790	16,230	17,930	17,480	17,370	19,350	20,326	66,080	74,526
<i>Domestic</i>	4,600	4,950	5,550	5,700	5,244	5,396	6,330	6,384	20,800	23,354
<i>International</i>	10,530	11,840	10,680	12,230	12,236	11,975	13,020	13,942	45,280	51,173
Organic Foods	1,660	1,600	1,900	2,080	2,220	2,390	2,400	2,600	7,240	9,610
Convenience & Health Segment	410	510	510	590	560	440	430	661	2,020	2,091
Revenue Growth %										
Basmati & Other Specialty Rice	23.7	21.4	10.6	14.4	15.5	3.5	19.2	13.4	17	13
<i>Domestic</i>	19.8	13.8	3.9	19.7	14.0	9.0	14.1	12.0	14	12
<i>International</i>	25.5	24.9	14.3	12.1	16.2	1.1	21.9	14.0	19	13
Organic Foods	-30.8	-10.1	-5.9	26.8	33.7	49.4	26.3	25.0	-8	33
Convenience & Health Segment	-4.7	18.6	27.5	55.3	36.6	-13.7	-15.7	12.0	23	4
Gross Profit Margins %										
Basmati & Other Specialty Rice	33.6	31.6	34.0	32.0	32.4	31.0	32.4	32.4	32.8	32.1
Organic Foods	40.4	36.3	34.0	39.0	41.8	44.0	42.6	42.6	37.4	42.8
Convenience & Health Segment	29.3	41.2	37.0	37.0	36.9	42.0	41.1	41.0	36.5	40.1
EBITDAM %										
Basmati & Other Specialty Rice	12.9	14.0	14.8	13.1	12.9	12.0	11.7	12.0	13.7	12.1
Organic Foods	10.8	10.6	8.9	11.2	11.7	12.0	11.8	11.8	10.4	11.8
Convenience & Health Segment	-9.8	0.0	-4.1	-1.0	-3.4	-9.0	-9.8	-5.0	-3.3	-6.4

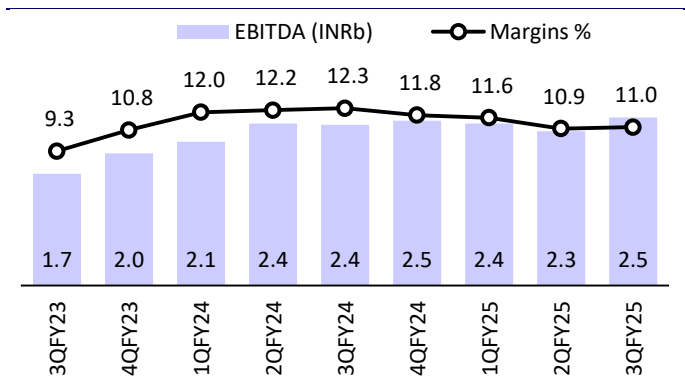
Key Exhibits

Exhibit 1: Consolidated revenue trend



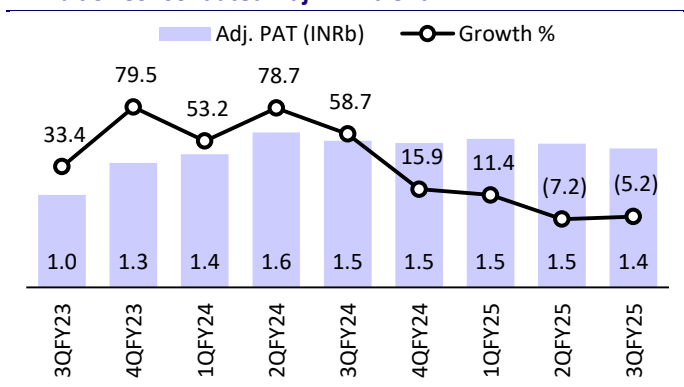
Source: Company, MOFSL

Exhibit 2: Consolidated EBITDA trend



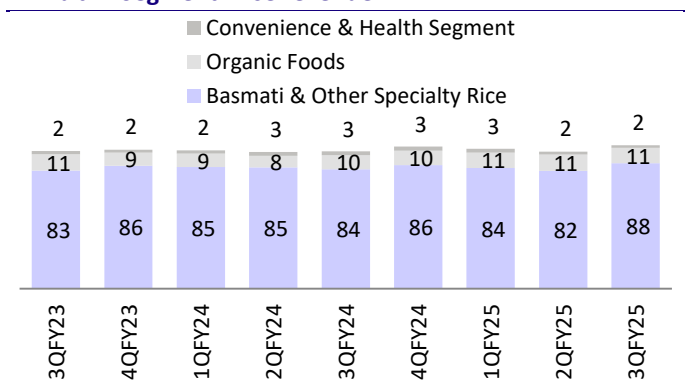
Source: Company, MOFSL

Exhibit 3: Consolidated Adj. PAT trend



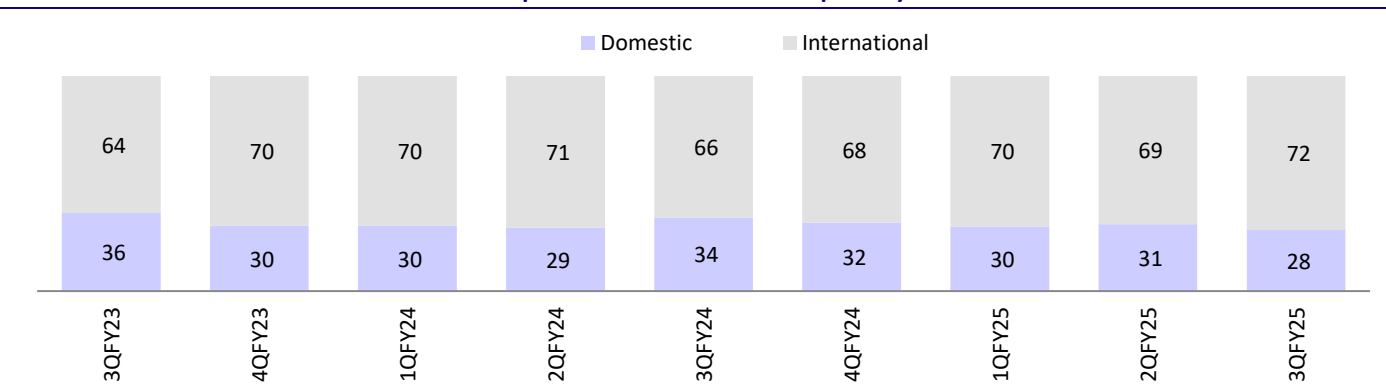
Source: Company, MOFSL

Exhibit 4: Segment-wise revenue mix



Source: Company, MOFSL

Exhibit 5: Domestic and international revenue split of Basmati and Other Specialty Rice



Source: MOFSL, Company



Highlights from the management commentary

Outlook and guidance

- The company aims for revenue from the Organic Food and Ready to Heat (RTH)/Ready to Cook (RTC) segments to each account for ~10% of its total consolidated revenue by FY29.
- The company remains focused on maintaining a diversified portfolio across categories and geographies, with expansion plans driven by shifting consumer trends.
- **Going forward, the company expects margins to expand from 2QFY26, led by the positive impact of lower raw material prices and reduced freight costs.**

Freight costs

- Logistics costs as a percentage of revenue increased 2.3%/0.5% YoY/QoQ and stood at ~7.2% of the revenue in 3QFY25.
- The company is in talks with freight companies, and the management expects freight costs to come down from FY26 onwards.
- Freight costs are expected to remain elevated in 4QFY25 and 1HFY26, as the current inventory already includes the freight cost component.
- Europe and US were the regions most impacted by the Red Sea crisis. However, European freight costs have started to decline, while US costs still remain elevated.

International market

- In North America, the company's flagship brand Royal continues to maintain its market leadership with ~55% market share, while Golden Star remains the number 1 jasmine rice brand.
- The company has maintained its market share of ~20% in the northern parts of Europe.
- It has further expanded its global presence by extending its footprint in the Middle East.

Basmati and other specialty rice

- The Basmati and other specialty rice segment has witnessed strong traction in the international market, led by strong demand in the US, Europe, and the Middle East.
- **Paddy prices have decreased compared to last year (in the range of 10-15%),** with the company now evaluating its pricing strategy in response to the increased competitive environment. The average paddy procurement rate for this year declined ~10-15% YoY and stood at INR32/kg.
- Revenue from India grew 14% QoQ in 3QFY25. However, the company is seeing soft demand in the Indian market. Revenue from international markets increased 11% QoQ, with the Middle East being the fastest-growing territory (~37% YoY in 9MFY25).
- Basmati rice volume stood at 185KMT/525KMT, with an average realization of INR105/kg / INR103/kg in 3QFY25/9MFY25.
- The company currently holds ~28% of the market share in India, compared to 30% last year. This was a strategic decision as the company exited some segments due to lower profitability. However, the company has increased its market share in the premium segment.

- Golden Star continues to be a major contributor to the profits from associates, with the business growing at the rate of 20%. However, profitability is impacted by inflated freight costs, as raw materials are sourced from Thailand. Going forward, the company expects freight costs to improve.

Organic food and ingredients

- Growth in the organic foods segment was driven by the expansion of distribution in Europe and the US, along with increased sales across product segments, such as rice, grains, and soya.
- LTFOODS completed the acquisition of the remaining stake in NBFL (17.5%) on 31st Dec'24. NBFL is now a 100% wholly-owned subsidiary of LTFOODS.
- **With the rise in global demand for health-conscious products, the company targets a revenue of INR10b+, with an expected CAGR of ~10-12% and EBITDA margins of ~14% by FY26.**

RTH and RTC

- RTH/RTC reported a revenue decline of ~16% YoY, primarily due to the discontinuance of 'Daawat Sehat'.
- The company witnessed a robust growth of ~148% in Biryani Kits, 26% growth in RTH, and ~60% growth in Kari Kari in 9MFY25.
- **The company targets a revenue CAGR of ~33-35% over the next five years in the RTH and RTC segments.**
- The US is growing at a much higher rate compared to the Indian market, contributing ~INR1b in revenue while maintaining an EBITDA margin of 7%.
- India currently is not profitable; however, the company remains optimistic about the future of RTH and RTC in India and aims to break even by FY27.

Other

- Higher inventory days in 9MFY25 were due to strategic paddy procurement, as greater demand is anticipated in key markets like the US and India.
- Other income was lower in 3QFY25 due to the reclassification of exchange into operating revenue.
- **India/US/UK and Europe/Rest of the World contribute 30%/40%/18%/12% to the total income.**
- **The company expects to receive its insurance claim by 10th Mar'25.**

Valuation and view

- LTFOODS has reported consistent performance over the longer term and is expected to continue similar momentum, led by: higher growth in the Basmati and Other Specialty Rice segment in both Indian and international markets; and margin expansion supported by lower input prices and an increasing mix of organic and convenience & health segments.
- We estimate a CAGR of 15%/19%/36% in revenue/EBITDA/Adj. PAT over FY24-FY27. We reiterate our BUY rating on the stock with a TP of INR460 (16x FY27E EPS).

Exhibit 6: Changes to our estimates

Earnings change (INR m)	Old			New			Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	87,386	1,00,508	1,13,835	88,814	1,02,162	1,15,713	2%	2%	2%
EBITDA	9,825	12,334	14,373	9,899	12,428	14,483	1%	1%	1%
Adj. PAT	6,294	8,264	9,860	6,091	8,276	9,907	-3%	0%	0%

Financials and valuations

Consolidated - Income Statement								(INRm)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	38,904	41,351	47,419	54,274	69,358	77,724	88,814	1,02,162	1,15,713
Change (%)	7.7	6.3	14.7	14.5	27.8	12.1	14.3	15.0	13.3
Raw Materials	27,960	28,752	30,405	34,679	45,775	52,781	59,294	68,448	76,371
Gross Profit	10,945	12,599	17,015	19,595	23,583	24,943	29,520	33,713	39,342
Employees Cost	1,519	1,986	2,643	2,896	3,596	4,301	4,902	5,312	6,017
Other Expenses	5,454	5,986	8,748	10,781	12,989	11,263	14,719	15,973	18,842
Total Expenditure	34,932	36,724	41,796	48,356	62,360	68,345	78,915	89,734	1,01,230
% of Sales	89.8	88.8	88.1	89.1	89.9	87.9	88.9	87.8	87.5
EBITDA	3,972	4,627	5,624	5,917	6,998	9,379	9,899	12,428	14,483
Margin (%)	10.2	11.2	11.9	10.9	10.1	12.1	11.1	12.2	12.5
Depreciation	690	914	1,085	1,226	1,269	1,529	1,756	1,757	1,882
EBIT	3,282	3,713	4,539	4,691	5,729	7,850	8,143	10,671	12,601
Int. and Finance Charges	1,387	1,323	874	687	821	830	840	351	120
Other Income	241	379	315	232	430	496	692	613	694
PBT bef. EO Exp.	2,136	2,770	3,980	4,236	5,338	7,517	7,995	10,933	13,176
EO Items	0	0	0	0	0	0	0	0	0
PBT after EO Exp.	2,136	2,770	3,980	4,236	5,338	7,517	7,995	10,933	13,176
Total Tax	762	776	1,089	1,144	1,353	2,029	2,094	2,752	3,316
Tax Rate (%)	35.6	28.0	27.4	27.0	25.3	27.0	26.2	25.2	25.2
Minority Interest	109	148	150	170	-42	-446	-189	-95	-47
Reported PAT	1,266	1,845	2,741	2,922	4,028	5,933	6,091	8,276	9,907
Adjusted PAT	1,266	1,845	2,741	2,922	4,028	5,933	6,091	8,276	9,907
Change (%)	-6.0	45.8	48.5	6.6	37.9	47.3	2.7	35.9	19.7
Margin (%)	3.3	4.5	5.8	5.4	5.8	7.6	6.9	8.1	8.6

Consolidated - Balance Sheet								(INRm)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	320	320	320	320	347	347	347	347	347
Total Reserves	12,971	14,494	17,235	19,656	27,223	33,369	38,592	45,131	53,302
Net Worth	13,291	14,813	17,555	19,976	27,571	33,716	38,939	45,479	53,649
Minority Interest	1,054	1,179	1,348	1,513	400	551	361	266	219
Total Loans	16,904	17,643	15,698	13,196	9,377	5,262	4,762	2,262	262
Deferred Tax Liabilities	-86	-319	-195	-182	-186	-256	-256	-256	-256
Capital Employed	31,163	33,316	34,406	34,503	37,161	39,273	43,806	47,751	53,874
Gross Block	9,692	13,840	14,264	15,255	17,838	20,967	22,047	23,588	25,296
Less: Accum. Deprn.	4,756	5,439	6,092	6,857	8,126	9,655	11,411	13,168	15,050
Net Fixed Assets	4,936	8,401	8,173	8,398	9,712	11,312	10,636	10,420	10,246
Goodwill on Consolidation	1,076	659	626	655	240	285	285	285	285
Capital WIP	422	173	327	350	266	412	832	1,041	1,083
Total Investments	361	334	287	249	1,270	1,834	1,834	1,834	1,834
Curr. Assets, Loans&Adv.	28,852	28,300	31,516	33,757	41,514	46,318	53,163	60,619	70,113
Inventory	18,912	17,502	22,228	23,518	30,724	34,981	40,613	44,070	49,170
Account Receivables	5,349	6,196	4,867	6,113	6,744	6,758	7,786	8,957	10,145
Cash and Bank Balance	377	249	300	391	390	503	107	2,236	4,731
Loans and Advances	4,214	4,352	4,120	3,734	3,657	4,075	4,657	5,357	6,067
Curr. Liability & Prov.	4,484	4,550	6,523	8,905	15,841	20,890	22,944	26,449	29,688
Account Payables	2,749	2,608	5,036	7,031	10,928	12,300	13,808	15,940	17,785
Other Current Liabilities	1,435	1,602	1,137	1,459	4,711	8,367	8,881	10,216	11,571
Provisions	299	340	350	415	202	223	254	293	332
Net Current Assets	24,369	23,750	24,993	24,851	25,673	25,429	30,218	34,170	40,425
Appl. of Funds	31,163	33,315	34,406	34,504	37,161	39,273	43,806	47,751	53,874

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)									
EPS	3.6	5.3	7.9	8.4	11.6	17.1	17.5	23.8	28.5
Cash EPS	5.6	7.9	11.0	11.9	15.3	21.5	22.6	28.9	33.9
BV/Share	38.3	42.7	50.6	57.5	79.4	97.1	112.1	131.0	154.5
DPS	0.0	0.0	0.9	0.9	0.5	0.5	2.5	5.0	5.0
Payout (%)	0.0	0.0	11.7	10.9	4.3	2.9	14.3	21.0	17.5
Valuation (x)									
P/E	98.1	67.3	45.3	42.5	30.8	20.9	20.4	15.0	12.5
Cash P/E	63.5	45.0	32.5	29.9	23.4	16.6	15.8	12.4	10.5
P/BV	9.3	8.4	7.1	6.2	4.5	3.7	3.2	2.7	2.3
EV/Sales	3.6	3.4	2.9	2.5	1.9	1.7	1.5	1.2	1.0
EV/EBITDA	35.4	30.6	24.8	23.1	19.0	13.7	13.0	10.0	8.3
Dividend Yield (%)	0.0	0.0	0.3	0.3	0.1	0.1	0.7	1.4	1.4
FCF per share	-0.3	11.3	10.0	10.5	3.3	16.0	3.2	17.6	16.3
Return Ratios (%)									
RoE	10.1	13.1	16.9	15.6	16.9	19.4	16.8	19.6	20.0
RoCE	7.9	9.4	10.7	10.8	13.1	16.0	15.8	18.5	19.6
RoIC	7.4	8.5	10.0	10.2	12.4	16.0	15.5	19.1	21.2
Working Capital Ratios									
Fixed Asset Turnover (x)	4.0	3.0	3.3	3.6	3.9	3.7	4.0	4.3	4.6
Asset Turnover (x)	1.2	1.2	1.4	1.6	1.9	2.0	2.0	2.1	2.1
Inventory (Days)	247	222	267	248	245	242	250	235	235
Debtor (Days)	50	55	37	41	35	32	32	32	32
Creditor (Days)	36	33	60	74	87	85	85	85	85
Leverage Ratio (x)									
Current Ratio	6.4	6.2	4.8	3.8	2.6	2.2	2.3	2.3	2.4
Interest Cover Ratio	2.4	2.8	5.2	6.8	7.0	9.5	9.7	30.4	105.1
Net Debt/Equity	1.2	1.2	0.9	0.6	0.3	0.1	0.1	0.0	-0.1

Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	2,136	2,770	3,980	4,236	5,626	8,005	7,995	10,933	13,176
Depreciation	690	914	1,085	1,226	1,269	1,529	1,756	1,757	1,882
Interest & Finance Charges	1,351	1,298	861	676	821	830	148	-262	-574
Direct Taxes Paid	-1,037	-789	-1,131	-1,074	-1,293	-1,522	-2,094	-2,752	-3,316
(Inc)/Dec in WC	-2,164	334	-537	-14	-3,390	-805	-5,186	-1,822	-3,760
CF from Operations	977	4,527	4,257	5,051	3,033	8,037	2,619	7,854	7,407
Others	48	245	190	124	-449	-468	0	0	0
CF from Operating incl EO	1,025	4,772	4,447	5,175	2,584	7,569	2,619	7,854	7,407
(Inc)/Dec in FA	-1,133	-845	-990	-1,519	-1,438	-2,011	-1,500	-1,750	-1,750
Free Cash Flow	-108	3,927	3,457	3,656	1,146	5,558	1,119	6,104	5,657
(Pur)/Sale of Investments	-220	-10	-8	-12	-2,516	-22	0	0	0
Others	71	78	121	155	8	18	692	613	694
CF from Investments	-1,282	-777	-877	-1,377	-3,946	-2,015	-808	-1,137	-1,056
Issue of Shares	0	0	0	0	3,824	0	0	0	0
Inc/(Dec) in Debt	1,486	-2,478	-2,252	-2,781	-1,119	-3,741	-500	-2,500	-2,000
Interest Paid	-1,378	-1,309	-889	-475	-734	-724	-840	-351	-120
Dividend Paid	-61	-251	-320	-320	-160	-347	-868	-1,736	-1,736
Others	391	0	0	0	-448	-567	0	0	0
CF from Fin. Activity	439	-4,038	-3,461	-3,575	1,363	-5,380	-2,208	-4,587	-3,856
Inc/Dec of Cash	182	-43	108	223	1	175	-397	2,129	2,495
Opening Balance	195	292	191	168	389	329	503	107	2,236
Closing Balance	377	249	300	391	390	503	107	2,236	4,731

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NOTES

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